

## 1929-1941: The Great Depression

### America on a Spending spree

- The American economy was booming
- Many items that people did not have the money for were purchased often utilizing installment plans to purchase luxury items
- Because of the great debt many Americans found themselves in, they were often on the lookout for "get rich quick" schemes
- Some of them were illegal
  - Bootlegging
  - Fraud
  - Etc
- Some like speculation were legal
  - Buying something at a low price and re-selling it at a higher price for a profit
  - Land in Florida was one such form of speculation
    - Those involved said how Florida was this tropical paradise
    - As a result of the advertising for the property in fl there was a land boom and properties were bought and sold in large proportions for large prices
    - All good things must come to an end however.
      - 1926: the Great Miami Hurricane hit along with several other smaller ones
      - Almost 400 people were killed bringing an end to the land boom in Florida and causing further debt
- Another legal "get rich quick" scheme was investing heavily in the stock market
  - At the time, a "bull market" was in place
    - When the stock market is characterized by rising prices and optimism for continued growth
  - Wall Street had been very prosperous during the 1920's
  - Everyday people were becoming familiar with the ins and outs of the market largely due to the purchase of war bonds during the Great War
  - Easy to get credit also contributed to the increase
  - Many people began to purchase "on the margin" with the intent to sell it for a huge profit having put a minimum amount down, pay back the broker and pocket the rest
    - Investors buy stock through a stock broker but pay only a percentage of the cost
    - The broker finances the rest of the cost with money borrowed from a bank
    - As long as the stock's value keeps increasing, everything is good
    - If the price of the stock drops, the broker would ask the investor for the rest of the cost of the original stock or increase the percentage invested
  - Between March of 1928 and September of 1929 many stocks doubled in price and almost all stock prices rose



- October 24, 1929: Black Thursday
  - With the economy seeming to change, people started to sell their stocks largely based on fear of what was going to happen
  - Very few people were purchasing and the cost of all stocks dropped dramatically
  - Leading members of New York's financial businesses pooled their efforts to purchase stock and stop the decrease working for the day
  - Since stocks had dropped, banks began to request brokers pay back their loans
  - When the brokers were pushed for their money, they began to push the investors for the rest of the money for the stocks
  - The speculators were unable to pay because they were trying to get rich quick and did not really have the initial money to pay out so they decided to sell their stocks which led to ...
- October 29, 1929: Black Tuesday
  - 16 million + shares were put on the market to sell and investors lost \$30 million as a result
- Many hoped this "crash" was a temporary readjustment of the market but those hopes were dashed as stock prices continued to decline over the next three years
- Factors contributing to the fall of the market:
  - Buying stock on credit resulted in loans from banks to brokers based on the assumed price of the stock
  - Crash ended stock market speculation and took up all the money many banks had on hand
  - American industries were facing smaller markets for their products. Many Americans had purchased everything they wanted and were heavily in debt so demand decreased because they could not afford to purchase new stuff
  - As a result of the decreased demand, industries and businesses suffered causing much unemployment
  - Farmers were struggling throughout the 1920's
  - Banks were struggling due to loans made and not paid from European countries which were struggling

#### A Chicken in Every Pot

- 1928 election prosperity was promised in the form of a chicken in every pot a car in every garage
- Republicans gladly took credit for the economic boom that was the 1920's
- After the stock market crashed it was hard to take the blame
- One Republican was given the blame even though it wasn't really his fault
  - Herbert Hoover
    - Wanted to keep the morale of the American people up and avoided using the terms panic or crisis and opted instead for the term "depression"



- Hoover blamed the international economic situation due to the cycle of debts from the war
  - There was also less trade due to the high tariffs on international goods
  - As more people lost jobs and homes, shantytowns called "hoovervilles" popped up in empty lots
  - "hoover blankets" was the newspaper that people used to cover up with to try and keep warm
  - "hoover flags" were pockets turned inside out to prove the absence of money
  - Hoover declared that "the fundamental business of the country, that is production and distribution of commodities, is on a sound and prosperous basis"
  - **What did Hoover do to try and fix the problem?**
    - Contrary to what is popular, Hoover did attempt to fix the problems that the stock market crash caused
      - He had Congress cut taxes by \$140 million
      - He encouraged public works spending to the tune of \$420 million
      - He requested that businesses not fire people and maintain wages at the same level
      - Tried to stabilize the farming community by creating the Federal Farm Board to relieve the hardships farmers had been suffering through since the end of the Great War
    - Congress also attempted to pass relief efforts
      - Reconstruction Finance Corporation
      - Hawley-Smoot Tariff
        - Pushed tariffs on foreign industrial and agricultural prices to the highest level in history
        - Intended to help Americans stabilize their businesses and farms
        - The tariff did not help the economy at all
- Nothing really helped Hoover and Congress to eliminate the problems

- **Bonus Army**
  - Some World War I veterans marched on Washington to demand a bonus that they had been promised in the Adjusted compensation Act of 1924
  - The bonus was paid for in the form of bonds that would be payable in 1945
  - Many of these vets were unemployed and so they went to Hoover to demand the early payment of the bonds
  - 20,000 men women and children settled into an open area in Anacostia Flats and built a shantytown to live in until Hoover and Congress met their demands
  - July 28: the Bonus army were told they had to move
  - When they refused the U.S. army, under the command of the General Douglas MacArthur, was sent to remove them



- MacArthur overstepped his orders and burned down the shantytown
- Hoover was forced to take the blame for the whole situation causing people to want to move away from his leadership
- **Election of 1932**
  - In one corner was Hoover who was being given the blame in a big way
  - In the other corner was Franklin Delano Roosevelt (FDR)
    - Young and charismatic with fresh new ideas
    - His handicap helped because of how hard he had worked to overcome the paralysis caused by Polio
  - His election was an overwhelming landslide winning 57% of the popular vote and 472 electoral votes to Hoover's 59
- **Between the election and inauguration**
  - After the election, there was an upturn in the economy
  - Hoover thought his policies were helping and so expected FDR to give the policies support
  - FDR needed to stay as far away from Hoover and his policies as possible to make sure he was able to get the policies of his "New Deal" passed
  - Banking Crisis
    - People had little or no faith that their money was safe and many went to the bank to close accounts and keep the money at home
    - "run on the bank"
- **Roosevelt: a knight in shining armor**
  - In his inaugural address FDR told the nation that "the only thing to fear is fear itself"
  - During his first 100 days in office, FDR was a busy guy.
    - Appointed his cabinet and advisers
      - Advisers were called the "brain trust" mostly professors from major universities who encouraged socialist thinking on economics and other legislation
      - First woman cabinet member: Francis Perkins was apptd. Secretary of labor (largely pushed through his wife)
    - Congress was called into emergency session and did the following things in these crucial "first 100 days"
      - Bank holiday: first major legislation that FDR and congress pushed through was to close all the banks for four days to better assess which banks were viable and which were not
      - legalized beer (FDR was very anti-prohibition),
      - regulated Wall street, provided insurance for bank deposits,
      - Went on the radio and initiated a series of broadcasts entitled "Fireside chats" to inspire confidence and keep up public approval for other New Deal policies
        - About half of all American's owned a radio by 1933



- ABC's of the New Deal
  - Civilian Conservation Corps (CCC): young, unmarried men went to work on reforestation and soil conservation projects under the direction of the army. Proved to be the most popular works project and lasted until after America entered WWII
  - Public Works Administration (PWA): built schools, courthouses hospitals, bridges, and other public buildings. Also built ships and planes for the military
  - Federal Emergency Relief Administration (FERA): carried out some of the jobs assigned to the short lived Civil Works Administration whose job it was to build playgrounds, roads, and airports as well as supporting public enrichment activities
  - Works Progress Administration (WPA): employed almost any one in any kind of job. Constructed public building and recreational areas as well as supporting artistic enrichment
  - Agricultural Adjustment Acts (AAA): gave aid to farmers who were in dangers of losing their farms to foreclosure. Also offered money to farmers who willing plowed up cotton and slaughtered their pigs to get rid of surplus. Many did not like this procedure because so many young people were going hungry and wearing rags
  - Federal Deposit Insurance Corporation (FDIC): derived a way to insure bank deposits of the millions of Americans who had money in the bank (STILL AROUND TODAY)
  - Tennessee Valley Authority (TVA): provided jobs by the massive work projects damming the Tennessee river to help provide flood control and cheap electricity (STILL AROUND TODAY)
  - Social Security Act of 1935: instituting old-age pensions and unemployment payments for American workers (STILL AROUND TODAY IN FINANCIAL TROUBLE)
  
- **Political Dissension from the...**
  - Because of the heavy debt being incurred by the government and because FDR's policies looked like Socialism, many right wing (usually Republicans) were in opposition to the New Deal wing (usually republican) had huge opposition to the New Deal
    - Supreme Court, which was filled with right wing judges, declared some of the New Deal unconstitutional and struck down many of the legislation that came before them
  - Many from the left wing (usually democrats) had opposition to the New Deal
  
- Democrats like Senator Huey "kingfish" Long of LA and Roman Catholic Priest Charles Coughlin showed opposition as well even attempting to run for president to get rid of FDR and his policies



- **1936 Election**
  - Recovery slowly begins to happen
  - Due to the many New Deal programs that put people back to work, FDR was hugely popular
  - The Republicans had slim pickings
    - Their candidate was a Midwestern man Alf Landon
  - In the end, FDR did win the election by a large margin due to the people for whom his policies had provided jobs
    - 523 electoral votes to Landon's 8.
  - A few seats went to the republicans in the Senate and House so much so that the possibility came about that there would cease to be a Republican Party
- **Packing the Supreme Court**
  - FDR was having so much New Deal legislation declared unconstitutional by the Supreme Court that he decided to attempt to add more justices to the court.
    - Since the Constitution does not say how many justices there must be he was free to attempt this
  - By adding more justices (to total nine), he would have been able to pack the court with more Democratic Party justices thus it more difficult to stop New Deal legislation
  - Many politicians, until this time had not spoken out against FDR, now began doing so causing the "court packing plan" to fall apart
- **The New Deal is not working**
  - Many New Deal programs were not making enough difference in the attempt to better the Depression
    - 1/3 of the nation was still unemployed and underfed and with out housing (foreclosures were still climbing even in 1937)
    - There were so many economic problems that we were under greater strain in 1936 than in 1929
    - Government was still pumping loads of money into the economy
  - Labor unions were starting to cause problems for big industries
    - American Federation of Labor was still largely for the skilled worker leaving the unskilled industrial workers on their own causing those men extreme hardship
    - John Lewis broke off and formed the Congress of Industrial Organization (CIO) to help those workers with little or no training
      - Factory workers were encouraged to participate in sit down strikes (everyone sits down where they are and quits working and refuses to leave the factories)
      - As a result of the strikes, several of the big industries gave in to workers demands



- Because of the violence the strikes often caused, the Supreme Court stepped in and outlawed the sit down strikes
  - Eventually the AFL and CIO in 1955 joined forces making the present day AFL-CIO
- Industrial recovery does not really show great strides until America begins preparation for World War II
- **The American People and Culture**
  - Many people lost jobs and farms and the ability to care for themselves
  - Many went hungry and were too proud to take handouts
  - It took starving children to convince parents that the time had come for them to accept government assistance
  - In 1931, 95 cases of starvation were reported in NY city
  - By 1932, NY was reporting 20% of the school students were undernourished
  - Whether married or single, many men went door to door looking for work. Married men would sometimes abandon their families and with the single men take to "riding the rails" in an effort to find work in other towns
  - Federal funding was supplied to create "bread lines" where people were provided soup and a little bread for little or no \$ occasionally even providing financial assistance to help families
  - Asking for help was a great source of humiliation for families
    - Wives struggled to properly clothe their children and keep up the household on little or no money often renting out rooms in their homes just to make ends meet
    - Some people even went so far as to solicit aid directly from the White House, sending thousands of letters to the first family asking for financial aid or even food and clothing
  - Black Americans suffered greatly
    - 1932: half of all black workers were unemployed
    - Rate of joblessness for them was double that of the general population
    - In the south, they were often sharecroppers who were driven off the land so the white owners could take the whole property back over to try and make \$\$ enough to feed their own families
    - Government relief efforts reached blacks slower than it did white people
    - FDR was afraid to offend the Democrats at first but his wife nagged him into pay attention to the problems of racial discrimination thus forcing his hand to start giving black people some of the work from the works programs
  - **Did anything fun happen during the Depression?**
    - Many people had radios
    - Books such as *Gone with the Wind* by Margaret Mitchell were very popular.
      - Written in 1936 it was turned into film in 1939
    - Comic strips became very popular also



- Little Orphan Annie
- Flash Gordon
- Dick Tracy
- Tarzan (appeared in movie form with Johnny Weissmuller as the first actor to portray him)
- Movies were also very popular escape routes for many Americans
  - *Wizard of Oz*
  - *Snow white*
  - Shirley Temple movies
- Radio programs were very popular
  - *Fibber McGee and Molly*
  - *Amos and Andy*
  - *Little Orphan Annie*
  - *Lone Ranger*
  - *War of the Worlds* narrated by Orson Welles was thought to have been a real broadcast of alien invasion
  - Singers and Musicians such as Bing Crosby and Benny Goodman
- Reality Radio
  - Stories such as the kidnapping of the Lindbergh baby in 1932 had the nation captivated
  - The abdication of the throne by King Edward VIII in 1936 so he could married an American divorcee, Wallis Simpson
  - Explosion of the Hindenburg
  - Gangsters that became popular in the Roaring 20's continued "working" in the 1930's robbing banks
    - Bonnie and Clyde
    - Baby Face Nelson
  - Amelia Earhart
    - First woman to fly solo across the country
    - Attempting to be the first female to fly around the world, her plane disappeared in the Pacific Ocean in 1937
  - Will Rogers who was a popular comedian died in a plane crash
  - Sports were a big deal at this time as was Chinese Checkers and mini-golf
  - The Chicago World's Fair lasted from 1939 to 1941
    - Offered the "world of tomorrow" with technological advancements
    - GM offered "Futurama" taking people to what the cars of the 1960's would look like